

# Special Session

<b>Agenda Item #</b>	4
<b>Meeting Date</b>	23 April 2007
<b>Prepared By</b>	Linda Walker Affordable Housing Manager
<b>Approved By</b>	Barbara Matthews City Manager

<b>Discussion Item</b>	1 <sup>st</sup> Reading of Ordinance Authorizing Execution of Payment in Lieu of Taxes (“PILOT”) Agreement with Montgomery Housing Partnership, Inc. for 8508-10 Flower Avenue.	
<b>Background</b>	<p>This is the first reading of an ordinance authorizing the execution of a Payment in Lieu of Taxes (PILOT ) agreement with Montgomery Housing Partnership, Inc., a nonprofit affordable housing organization which develops, renovates and manages properties throughout Montgomery County. The proposal, initially considered by the Council on April 16, 2007, would, if approved, provide for a graduated abatement of local property taxes at 8505-10 Flower Avenue, a 21-unit rental facility located in Ward 5. The accompanying Ordinance stipulates that a minimum of 81% of the units must be occupied by low or moderate income households (<i>i.e.</i>, households with incomes at or less than 60% of the Montgomery County median household income).</p> <p>The proposed PILOT would provide for the full abatement of local property taxes as permitted under the §7-503 of the Tax-Property Article of the <u>Annotated Code of Maryland</u> for an initial five-year period, a 75% abatement in the following three years, and a 50% abatement the final two years of the ten-year agreement.</p> <p>The second reading of the ordinance is tentatively scheduled for April 30, 2007.</p>	
<b>Policy</b>	<p>“The City Council of the City of Takoma Park supports the provision, enhancement, and protection of affordable housing opportunities throughout our community for all of our citizenry. Working in cooperation with our residents, community leaders, and housing providers, we will provide staff resources and, when available, financial assistance to programs and projects which further our affordable housing goals. We will offer political support to our partners, endorsing affordable housing efforts of other public entities and nonprofit organizations.”</p> <p style="text-align: right;">City of Takoma Park Affordable Housing Policy and Action Plan (2002)</p>	
<b>Fiscal Impact</b>	<p>Levy Year 2007 (7/1/07) Assessment \$1,337,300</p> <p>Estimated Levy Year 2007 Takoma Park property taxes \$8,425(a)</p> <p>Estimated total City property tax loss/value of PILOT \$69,500</p> <p>Average monthly impact per rental unit \$27.58</p> <p>(a) Based on current tax rate of 63¢ per \$100 assessment</p>	

<b>Attachments</b>	<ul style="list-style-type: none"> <li>• Ordinance authorizing PILOT Agreement</li> <li>• Letter from MHP</li> </ul>
<b>Recommendation</b>	To approve the first reading of the Ordinance and schedule the second reading for Monday, April 30, 2007.
<b>Special Consideration</b>	The Agreement, if approved, would be effective July 1, 2007.

Introduced by:

First Reading:

Second Reading:

Effective Date:

**CITY OF TAKOMA PARK**

**ORDINANCE NO. 2007-**

**(An Ordinance Authorizing the City of Takoma Park to Enter Into an Agreement with Montgomery Housing Partnership, Inc. for a Payment in Lieu of Taxes for the Property at 8508-10 Flower Avenue)**

**WHEREAS**, Montgomery Housing Partnership, Inc., a nonprofit corporation purchased 8508-10 Flower Avenue, Takoma Park, Maryland on April 4, 2007; and

**WHEREAS**, the property currently provide affordable housing to residents with low and moderate incomes; and

**WHEREAS**, the Council supports the provision and protection of affordable housing in the City; and

**WHEREAS**, in order to ensure that Montgomery Housing Partnership, Inc. continues to serve low and moderate income residents, Montgomery Housing Partnership, Inc. will agree with the City that at least 81% of the apartments rented at the property will be occupied by low or moderate income households; and

**WHEREAS**, under Section 7-503(a) of the Tax-Property Article of the Annotated Code of Maryland, a nonprofit tax-exempt corporation that operates or manages rental housing that serves low-income households may be eligible under certain conditions to make a payment in lieu of taxes ("PILOT") on the real property; and

**WHEREAS**, Montgomery Housing Partnership, Inc. has represented that it qualifies under the provisions of Section 7-503 to enter into an agreement with the City to pay a negotiated amount in lieu of City real property taxes; and

**WHEREAS**, Montgomery Housing Partnership, Inc. has requested PILOT Agreement with the City that would provide for a full abatement of local property taxes for 8508-10 Flower Avenue for an initial five year period, a 75% abatement in the following three years, and a 50% abatement for the final two years of the ten year agreement; and

**WHEREAS**, the Council finds that this PILOT Agreement with Montgomery Housing Partnership, Inc. serves a public purpose and promotes the peace, health, and general welfare of the City and its residents by preserving affordable housing for residents with low and moderate incomes.

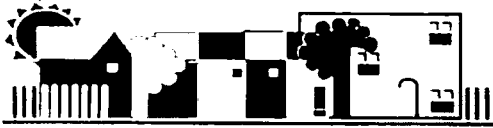
**NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND, THAT** the Council approves a Payment in Lieu of Taxes (“PILOT”) Agreement with Montgomery Housing Partnership, Inc., its successors and/or transferees, for the property at 8508-10 Flower Avenue as follows:

- A. For the first five levy years following acquisition of 8508-10 Flower Avenue, Montgomery Housing Partnership, Inc. shall have a full abatement of real property taxes paid to the City; a 75% abatement of real property taxes paid to the City for the following three levy years; and a 50% abatement of real property taxes paid to the City for the final two levy years of the PILOT Agreement, and
- B. A minimum of 2 units at 8508-10 Flower Avenue shall be occupied by households at or below 30% of the Washington Metropolitan Statistical Area (WMSA) median; 3 units shall be occupied by households at or below 40% of the WMSA median; and 12 units will be occupied by households at or below 60% of the WMSA median. 4 units will be have unrestricted rents.
- C. The tax abatement shall be effective beginning with levy year 2007 (tax period July 1, 2007 - June 30, 2008).

The City Manager is authorized to enter into a PILOT Agreement on behalf of the City with Montgomery Housing Partnership, Inc., its successors and/or transferees, under the provisions of Section 7-503(a) of the Tax-Property Article of the Annotated Code of Maryland, for the property at 8508-10 Flower Avenue, Takoma Park, Maryland and to take such actions and execute such documents as are necessary in order to carry out the purposes of this Ordinance.

**Adopted by the Council of the City of Takoma Park this \_\_\_\_ day of \_\_\_\_\_, 2007, by roll-call vote as follows:**

Aye:  
Nay:  
Absent:  
Abstain:



montgomeryhousingpartnership, inc.

11002 Veirs Mill Road, Suite 503 South, Silver Spring, Maryland 20902 • Phone: 301/ 946-0882 Fax: 301/946-0982  
www.MHPartners.org

April 18, 2007

Kathryn H. Porter  
Mayor  
City Council  
City of Takoma Park  
7500 Maple Avenue  
Takoma Park, MD 20912

Re: Request for PILOT for 8508 Flower Avenue

Dear Mayor Porter and City Council:

The purpose of this letter is to provide additional information in connection with MHP's request for a PILOT for 8508 Flower Avenue.

First, regarding income restrictions, the project has received a loan from Montgomery County's Department of Housing and Community Affairs that requires, among other things, that the following income restrictions will apply to the units at 8508 Flower Avenue:

Two units will be restricted to persons with incomes below 30% of Area Median Income ("AMI");

Three units will be restricted to persons with incomes at or below 40% of AMI;

Twelve units will be restricted to persons with incomes at or below 60% of AMI; and

The remaining four units will be leased as market rate units.

Second, MHP has a policy against displacing existing tenants whose incomes exceed the income restrictions that become applicable to buildings which MHP has acquired. Typically, we find about 10-15% of residents have incomes that exceed the limits and therefore set aside a few units as unrestricted.



Working Together to Build Strong Communities

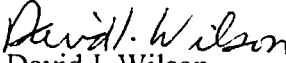


Third, MHP's mission is to provide affordable housing and therefore tries to keep rent increases to a minimum. Until the final scope of work and all of the financing is secured, we will not know the extent, if any, of any post rehab rent increases.

Thank you for your consideration of our PILOT request for 8508 Flower Avenue.

Please let me know if you have any further questions.

Sincerely,

  
David I. Wilson  
Development Manager

cc: Barbara Burns Mathews, City Manager, Takoma Park  
Sara Daines  
Linda Walker



DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Isiah Leggett  
County Executive

Richard Y. Nelson, Jr.  
Director

March 15, 2007

Mr. Robert Goldman, President  
Montgomery Housing Partnership, Inc.  
11002 Veirs Mill Road, Suite 503  
Silver Spring, Maryland 20902-2538

Dear Mr. Goldman:

The Department of Housing and Community Affairs reviewed your application for funding for the apartment building located at 8508 Flower Avenue. I am pleased to inform you that I have approved a loan of \$2,314,000 for the acquisition and rehabilitation of this building. The loans will consist of \$1,500,000 from the County's FY07 Housing Initiative Fund (HIF) program and \$814,000 from the FY08 Housing Initiative Fund. The County will also provide a PILOT agreement for this property. This loan is contingent upon the following conditions:

- Upon acceptance of the contract of sale, the owner of the building shall dismiss the pending lawsuit against the tenants, allowing the tenants to assign their right to purchase the building to the Montgomery Housing Partnership, or its affiliate.
- The loan will have a two percent interest rate and a term of 5 years, amortized over 30 years. No interest will accrue and no payments will be due for the first five years. MHP will refinance this property after five years, and if possible, repay a portion of the county's HIF loan. Montgomery County will be willing to subordinate to new financing, subject to our review and approval. Annual payments, based on available cash flow will begin in year six. Payments will be the lesser of the amount necessary to amortize the loan over the remaining twenty five years of the loan, or one-half of the available cash flow. Any payments not made in one year must be made in following years, if cash flow is available. The source of the loan will be the County's FY07 and FY08 Housing Initiative Fund.
- Montgomery Housing Partnership will restrict two units to persons below 30 percent of the area median income (AMI), three units to persons at or below 40 percent of the area median income (AMI), twelve units to persons at or below 60 percent of the area median income (AMI), and the remaining four units will be leased as market rate units.

Office of the Director

100 Maryland Avenue, 4th Floor • Rockville, Maryland 20850 • 240-777-3600 • 240-777-3679 TTY • 240-777-3677 FAX  
[www.montgomerycountymd.gov](http://www.montgomerycountymd.gov)

Mr. Robert Goldman  
March 15, 2007  
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- You must submit, before closing, evidence that you have obtained the other necessary financing, an updated budget, sources and uses of funds, schedule, and twenty-year pro forma. Since you will be applying to HOC for bond financing, we prefer to receive a copy of the application worksheet that you submit to HOC.

We appreciate your commitment to affordable housing in Montgomery County and look forward to a successful partnership at these rental communities located in and adjacent to the new Takoma Park Priority Place area. Please feel free to contact Stephanie Killian, Multifamily Housing Manager, at (240) 777-3693 if you have any questions concerning this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Nelson, Jr.', written in a cursive style.

Richard Y. Nelson, Jr.  
Director

RYN:sek

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